



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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February 15, 2011

Connie Backfisch, Acting Executive Director  
Dutchtown South Community Corporation  
4204 Virginia  
Florissant, MO 63111

RE: Community Development Block Grant (CDBG) (Project #2011-CDA7)

Dear Ms. Backfisch:

Enclosed is a report of the fiscal monitoring review of the Dutchtown South Community Corporation, a not-for-profit organization, CDBG Program, for the period January 1, 2010, through September 30, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of DeSales Community Housing Corporation. Fieldwork was completed on November 16, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA  
Lorna Alexander, Special Assistant for Development, CDA



# CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**DUTCHTOWN SOUTH COMMUNITY CORPORATION  
CONTRACT #10-31-53  
CFDA #14.218**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2010 THROUGH SEPTEMBER 30, 2010**

**PROJECT #2011-CDA7**

**DATE ISSUED: FEBRUARY 15, 2011**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS**  
**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
**DUTCHTOWN SOUTH COMMUNITY CORPORATION**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2010 THROUGH SEPTEMBER 30, 2010**

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## INTRODUCTION

### Background

**Contract Name:** Dutchtown South Community Corporation.

**Contract Number:** 10-31-53

**Contract Period:** January 1, 2010 through December 31, 2010

**CFDA Number:** 14.218

**Contract Amount:** \$238,972

The contract provided Community Development Block Grant (CDBG) funds to Dutchtown South Community Corporation (Agency) for combating physical deterioration in the Dutchtown neighborhood through the renovation and rehabilitation of housing units within Dutchtown's geographic area.

### Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2010, through September 30, 2010, and make recommendations for improvement as considered necessary.

### Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on November 16, 2010.

### Exit Conference

The Agency was offered the opportunity for an exit conference on February 4, 2011, but the Agency declined.

### Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 10, 2011. These responses have been incorporated into this report.

## **SUMMARY OF OBSERVATIONS**

### **Conclusion**

The Agency did not comply with federal, state and local CDA requirements.

### **Status of Prior Observations**

The Agency's previous fiscal monitoring report, Project #2009-CDA26 issued April 3, 2009 noted no observations.

### **A-133 Status**

According to a letter received from the Agency dated October 4, 2010, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2009, and was not required to have an A-133 audit.

### **Summary of Current Observations**

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

1. Opportunity to address MO Unemployment taxes (SUTA)
2. Opportunity to improve cash management

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **1. Opportunity To Pay State Unemployment Tax (SUTA)**

It was noted that the Agency did not pay any state unemployment tax during the period of review. The Agency accrued \$1009.75 on its balance sheet dated September 30, 2010, however, as of the end of the fieldwork date this amount remained unpaid.

It is required by law to pay state unemployment tax if an employer employee four or more workers for some portion of a day in 20 different weeks, or is determined to be a successor to a liable Missouri employer by the Department of Employment Security. This tax is payable on a quarterly basis. In addition, the Personnel Schedule budget of the grant contract agreement provided for state unemployment tax line item for \$1,175.

The Agency does not have a system of internal control in place to ensure that the unemployment taxes are paid in a timely manner.

Failure to comply with Missouri tax requirements may result in penalties and interest for unpaid taxes. This could also result in suspension or termination of the federal award.

#### **Recommendation**

It is recommended the Agency:

- Pay the outstanding state unemployment tax immediately.
- Determine if it is required to pay federal unemployment tax
- Establish a system of internal controls to ensure that all taxes are paid by the due dates.

#### ***Management's Response***

*I have began working with [an auditor from the Unemployment Division] to make sure the 2010 contribution and wage reports are filed. [The auditor] has been given the reports for all four quarters for 2010. [The auditor] also provided Dutchtown South Community Corporation (DSCC) a calendar for when reports are due so that this oversight will not occur again. I will be paying the penalties and state unemployment tax immediately so that we will be in compliance with CDA regulations and will be more than happy to provide documentation this fact. I feel this oversight was because the organization does not have a bookkeeper. Bookkeeping functions have been handled by the former Executive Director (Last day September 30, 2010) and current Acting Executive Director. Dutchtown South*

*Community Corporation intends to hire a bookkeeper in 2011 so that this oversight will not occur. The matter of hiring a bookkeeper has been discussed at board meetings and with our CDA monitor last year. DSCC intends to first hire an Executive Director before making any other staff changes. It is anticipated that the Executive Director will be hired within the next two months. I will be more than happy to keep the Internal Audit section updated on the process of hiring a bookkeeper.*

## **2. Opportunity To Improve Cash Management (Questioned cost, \$6,000)**

The Agency did not disburse funds within 3 days upon receipt of the reimbursement check from CDA. The Agency requested and received reimbursement for a non-payroll expense item for \$6,000 on May 7, 2010, but did not disburse this amount to the vendor (Lynn M. Josse) until May 14, 2010.

Section 2.10 (Cash Management) of CDA's Operating Agency Fiscal Procedures Manual states that an Operating Agency must disburse grant funds reimbursed, for expenses incurred by the Agency, within three working days of their receipt. Funds that are not disbursed within the three-day period must be returned immediately to the City.

The Agency did not have an effective system on internal control in place to ensure compliance with the CDA regulations.

Poor cash management may result the suspension or termination of the federal award.

### **Recommendation**

It is recommended that the Agency:

- Repay the City \$6,000 for not disbursing it within three working days of its receipt.
- Establish a system of internal control to ensure compliance with the CDA's disbursement requirements for the grant funds reimbursed.

### ***Management's Response***

*In 2010, DSCC discussed at board meetings to establish a fiscal procedures manual. We fully intend to have the manual completed in 2011. Work on the manual has begun and will reflect CDA regulations/requirements. I will be happy to provide Internal Audit with a report of the progress of completion of the manual. I request that Internal Audit with a report of the progress of completion of the manual. I request that Internal Audit not recommend that DSCC repay the \$6,000 because the invoice was paid just not in a timely manner and the 3 day requirement will be addressed in the fiscal procedures manual.*